

DEPARTMENT OF FOOD AND AGRICULTURE

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**MILK POOLING BRANCH
POLICY & PROCEDURAL LETTER NO. 5.5**

CUSTOM PROCESSING OF CLASS 2, 3, 4A & 4B PRODUCTS ONLY

Custom processing of market milk into any Class 2, 3, 4a or 4b product is any transaction in which one handler performs services for another handler, such as processing and packaging, and does not take title to the product. A handler is defined in the Milk Pooling Plan. Such definition does not include individual producers. Handlers who custom process market milk shall use the following guidelines.

1. Custom processing shall normally be limited to Class 4a products only. Any custom processing of Class 2, Class 3 or Class 4b products shall have prior approval of the Director which must be confirmed in writing. The Director's approval shall be predicated on a demonstrated unforeseen emergency need. Such approval shall generally be for a period not to exceed 60 days.
2. Title to the bulk milk and the resulting manufactured products shall remain with the shipping handler until final disposition. The processing handler may only act as a broker for sales to the Federal Government. The disposition of the manufactured products shall be either:
 - (a) Sold and delivered to the Federal Government by the processing handler, or
 - (b) Returned to the shipping handler who will arrange for its final sale and disposition.
3. The processing handler is prohibited from directly or indirectly purchasing the manufactured products.
4. Charges for custom processing of the shipping handler's bulk milk into manufactured products shall be borne by the shipping handler.
5. The processing handler shall report to the shipping handler the manufactured products yielded from the bulk milk which is custom processed.

6. If the processing handler stores, refrigerates, or otherwise warehouses the shipping handler's manufactured products, such products may be included with the processing handler's own product inventory. However, separate accountability must be maintained for the shipping handler's products.
7. Each processing handler who custom processes another handler's market milk into manufactured products shall maintain complete records of such transactions for review by the Director for a period of not less than three years.
8. Each processing handler who custom processes bulk milk for another handler shall report to the Director as follows:
 - (a) The processing handler shall not report this milk as either a receipt or disposition.
 - (b) The processing handler shall complete MPB Form 800C showing the total amount of market milk custom processed for each handler and the amount processed into each class.
 - (c) The shipping handler shall report the total amount of market milk shipped for custom processing on the MPB Form 800. Lines 65 or 66 for Class 2 products, Lines 74 or 75 for Class 3 products, Lines 84 or 85 for Class 4a products, and Lines 90 or 99 for Class 4b products with the appropriate entries on the MPB Form 800B.

Henry Voss
Director

By

Glenn Gleason
Milk Pooling Branch

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